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SECOND UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES:

Preparatory process for the Conference

FRENCH PROPOSALS TO ASSIST THE LEAST DEVELOPED COUNTRIES

At the request of His Excellency Mr. Jean-David Levitte, Ambassador, Permanent Mission of France to United Nations in Geneva, the attached text of the contribution by the Government of France is being circulated.

INTRODUCTION

This paper constitutes the reference document on the French approach to problems relating to the development of the LDCs and on the possible content of the Second United Nations Conference on the Least-Developed Countries.

This survey is intended to complement the one carried out by the international organizations concerned, starting with UNCTAD, under whose auspices the Conference is taking place. It should be viewed in the context of the recent declaration by ministers of co-operation and officials of aid organizations of countries belonging to the Development Aid Committee (DAC), which emphasizes population control, respect for the environment and the responsibility of the developing countries for taking their own development in hand.

But this survey seeks above all to take into consideration the specific nature of the LDCs.

The basic thinking behind it is that the Second United Nations Conference on the LDCs ought to learn from past experience - good or bad - and adopt practical measures whose implementation could give the poorest countries renewed hope of one day seeing light at the end of the tunnel and ultimately emerging from their status as LDCs.

To this end, France proposes that the Conference should adopt a series of practical measures. They vary in scope deliberately, but they thereby show that the development of the LDCs needs to be viewed as a whole and that it concerns everyone.

The chief aim of the Conference could be to raise new resources for allocation, on the basis of mutual undertakings between aid donors and LDCs, to a series of "mobilizing actions" on four major themes:

Population questions, with emphasis on problems of population growth, health and training;

Control of the nation's living space taking into account the imperatives of rural development and the demands of town planning;

Enterprises, with a view to fostering a productive private sector;

Environmental protection, which represents a new challenge.

Wherever possible, action taken under these headings should contribute to the promotion of regional policies.

Fresh resources should come essentially from increased mobilization of official development assistance and a more comprehensive approach to debt problems.

I. EVALUATION

A. The concept of LDCs

The distinguishing characteristic of the LDCs is not so much the extreme poverty of their population, which may also apply to broad sections of the population of other developing countries, as the extent of their structural handicaps. This is such that, even in a favourable international environment and with appropriate domestic policies, an LDC would be incapable of overcoming its economic and social backwardness single-handed within the foreseeable future, thus making support from the international community essential.

The relevance of some criteria used to define the LDCs may be debatable and could perhaps be refined, but it is not possible to deny the validity of the concept itself, which encompasses States widely disparate in terms of population size, geography, resources, political régime and socio-economic system, but all suffering from the same fundamental problems, namely their little influence in the world economy, the dependence of their economies on a narrow range of products, lack of infrastructure, under-developed human resources, and so on.

B. The situation of the LDCs

Far from improving in the 1980s, the overall situation of the LDCs has seriously deteriorated. This is reflected in general impoverishment of the population, growing difficulties in maintaining existing infrastructures, a falling share of world trade and rising external debt.

The causes are many and amply identified, whether they are attributable to outside factors (conflicts or threats of conflict, rising debt burdens, unfavourable economic conditions notably associated with exchange rate trends, continuing restrictions on access to markets and falling commodity prices, over-hesitant support from the international community), domestic factors (population situation, inappropriate economic and financial structures, mismanagement, extreme centralization, stifling bureaucracy, bloated and under-qualified administration, corruption, the burden of military expenditure), or other causes (geographical situation, as in the case of land-locked and island countries, natural disasters, harsh climate, etc.).

This negative picture requires qualification, however, in so far as some countries have nevertheless achieved encouraging results over the decade as a whole, while others have experienced alternating periods of relative growth and recession. Often enough, so-called adjustment measures designed to restore broad economic and financial equilibria have brought about a measure of improvement while failing to tackle the underlying problems, and the short-term social costs have often been heavy.

This modest performance at least confirms that there is nothing inevitable about a state of under-development, and that the same goes for status as an LDC.

C. Application of the SNPA

The application of the "Substantial New Programme of Action" for the 1980s adopted by the first Conference in Paris in 1981 was faced with a twofold crisis:

A crisis of development, characterized by a profileration of structural adjustment imperatives;

A cash flow crisis, in the sense that inputs of private capital dried up and official development assistance is now focused on financing adjustments and debt servicing.

This situation has merely served to accentuate the intrinsic weaknesses of the SNPA:

The part of the programme concerned with the LDCs' own efforts in particular was both over-ambitious and too vague, seeking to tackle a host of questions without assigning priorities, and setting unrealistic goals without framing policies for coming anywhere near them. As a result, the LDCs themselves scarcely referred to the SNPA at any time during the decade when expressing their needs and their policies.

The section concerning the support of the international community contained two important recommendations, one for an increase in official development assistance (with a target of 0.15 per cent of GNP or a doubling of aid), the other concerning the scale of the measures needed to mitigate fluctuations in the LDCs' export earnings from commodities, based on the EEC's STABEX system. These have been applied by some of the DAC countries, but not by all.

Finally, the section dealing with the follow-up to the Conference has been fairly adequately implemented, whether in regard to meetings of aid donors by country or to the mid-term meeting organized by UNCTAD in 1985. But its application has been adversely affected by the SNPA's shortcomings described above.

These observations are of fundamental importance. To avoid making the same mistakes, the second Paris Conference should adopt practical measures involving mutual undertakings by LDCs and the international community, and should at the same time make specific arrangements to ensure more rigorous follow-up of those commitments.

II. PROPOSALS

A. Strengthening the concept of an LDC

To strengthen the actual concept of an LDC, action is needed upon:

Its credibility: in this respect, the Paris Conference must unequivocally reaffirm the mandate of the Planning and Development Committee to evaluate the constituent criteria of the concept of an LDC, with full latitude also to propose formulas whereby a country in the process of development can emerge from the LDC category by stages (measure No. 1);

Its scope: very few organizations have themselves drawn the implications of the existence of the LDC category. Often, the impact of their activities is confined to compiling post-factum statistics and does not extend to setting priorities for action, nor even to working out a specific policy to help these countries. The Conference should call upon the organizations and agencies of the United Nations system to give official recognition to the LDC category and accept the implications of such recognition, and upon multilateral and regional development bodies to give particular importance to those countries in their activities (measure No. 2).

Such recognition would facilitate convergence of the criteria used by the different organizations in granting preferential or concessional arrangements, though differences will continue to be justified by the specific purposes of each organization. This convergence would enable efforts to be concentrated on the LDCs and facilitate co-ordination of procedures and follow-up.

B. Creating conditions conducive to a resumption of development

To this end a series of measures should be identified and adopted, covering the four main components of development:

1. Human resources

Men and women are the LDCs' chief asset. Nevertheless, population phenomena need to be controlled by appropriate national policies;

The role of women must be taken fully into account through non-discrimination, intensified literacy programmes and the elimination of barriers currently preventing them from playing a full part in the economy;

Everyone's state of health must allow him to attain his full potential;

Training and education must be free from all discrimination and suited to the country's specific needs.

In these conditions, the Paris Conference could reflect the LDCs' commitment to:

Framing and implementing a family policy with the financial and technical assistance of donor countries and international organizations. This policy should provide for the creation of instruments required to control population problems (demographic data, analytical methods, etc.), incorporation of population issues into global development projects, birth control measures and a mother and child welfare component. The United Nations Fund for Population Activities (UNFPA) in particular would strengthen its activities on behalf of the LDCs accordingly (measure No. 3);

Ratifying and implementing on the one hand, the United Nations Convention on the Elimination of All Forms of Discrimination against Women and, on the other, the Convention on the Rights of the Child (measure No. 3 bis);

Taking stock of the health status of their populations and defining their countries' needs with the help of WHO, which would give priority to these actions (measure No. 4). Once each country has thus defined a policy broadly focused on primary health care and has identified its needs in terms of basic equipment adapted to local conditions, aid donors could meet to respond to these needs. Also, support could be given to regional programmes, notably in respect of training, research and control of major endemic diseases;

Adopting, with the assistance of UNESCO, where appropriate:

A school enrolment programme to halt the process of falling attendance already observable in certain countries (measure No. 5). This will involve redefining educational policies, improving control over administrative and financial management of educational systems and boosting the quality of training, by giving priority to the development of basic education;

A training plan based on the country's needs (defined in the light of broad development policy goals determined previously). While ensuring proper co-ordination between initial technological training and vocational training, the plan should maintain a degree of flexibility to adjust to changing demand (with the emergence of new needs in crafts and industry) emphasize in-service instruction, and provide for means of evaluating the results obtained by training institutions (measure No. 5 bis).

2. The land

In most LDCs, the land continues to be the mainstay of economic development: food security is a major concern, the agricultural sector is preponderant, and the agro-industry, if there is one, accounts for a substantial share of the secondary sector.

Rural development at both national and regional level, should therefore continue to be the main target of the efforts of the LDCs' Governments and enjoy priority support from aid donors. The objective is to improve the country's productive capacity and render its agricultural produce competitive, particularly at the regional level.

The approach must necessarily be global and take account of the answers to a number of questions: what to produce (types of product)? For what purpose (internal consumption, processing or export, with a view to diversification or not)? In what context (what agrarian régime, what infrastructures)? In what environment (incorporation of the regional dimension)? With what resources - human (need for adequate training), material (mechanization) and financial (mobilization of domestic resources by encouraging different forms of rural credit)?

This approach should also take into account the need for greater control over the marketing of agricultural produce (introducing regulatory structures, developing food-processing industries, strengthening distribution channels and promoting regional trade) for the development of rural credit and for better co-ordination of bilateral and multilateral aid.

The Paris Conference might accordingly agree that technical assistance provided by competent international organizations and donor countries should be mobilized around an "agricultural development strategy" for the coming decade, to be defined by each LDC in consultation with its partners. These strategies, based on traditional structures (usually the village), should encourage private initiative and seek to define agro-industrial circuits, which presupposes action at all stages of the economic processs, from producer to consumer, making provision, in particular, for arrangements regarding the organization of markets (measure No. 6).

Aid policy should contribute to the implementation of these strategies, including such matters as taking in foreign trainees and sending out co-operation workers; the financial resources derived from food aid should be allocated preferentially to them. Emphasis should be placed on training agricultural policy managers: strategies and instruments (rural credit, market regulation, producers' organization, quality control, management of production systems etc.).

Meanwhile, the international community should provide added support to the international agricultural research centres in the International Agricultural Research Advisory Group (IARAG), sponsored by the World Bank, provided the Group redirects part of its research activities towards the LDCs (measure No. 6 bis).

3. The economic environment

There can be no harmonious development without:

(a) A regional development policy designed to maintain a proper balance between urban development and rural development

A growing proportion of the population lives in the towns, which contribute more and more to a country's national output. Any urban dysfunction therefore hinders the country's economic development and must be overcome.

"Mobilizing action" in this field should encompass three sectors:

Local town planning: projects should, in terms of content, be both institutional (clarifying the role of the State and decentralized authorities, organizing decentralized services, reorganizing central services), financial (mobilizing resources at the local level through collection of local taxes and creating revenue-generating amenities such as wholesale and retail markets, road transport terminals, slaughterhouses, handicraft centres, etc.) and technical measures (strengthening local council technical departments);

Housing: projects should seek to define sectoral policies (based on simple urban development plans) and financing systems (to the extent that housing expenditures are a major outlet for local producers);

Fee-paying urban services, with particular attention to water supplies and the organization of public transport.

The Paris Conference could decide that urban development will be a major technical assistance priority of aid-donors and international institutions in the 1990s, starting with the United Nations Development Programme and the United Nations Centre for Human Settlements (measure No. 7).

(b) A co-operation policy to foster the development of a private productive sector

Technical assistance to enterprises is crucially important to the development of the private sector in the LDCs. Emphasis should be placed on setting up local small- and medium-sized enterprises (notably by developing the semi-industrial sector), on providing support to on-the-job training activities (particularly in the field of management and product control), on the quality of the business environment (training centres, banking network, facilities to maintain and rehabilitate existing equipment and boost their output, etc.).

The Paris Conference could recommend that industrialized countries and appropriate multilateral organizations, particularly UNIDO, should give priority in their co-operation programmes to projects designed to structure the industrial fabric of the LDCs and foster the emergence of enterprises that are viable over the long term (measure No. 8).

(c) Structural adjustment efforts, with allied social measures

A growing number of developing countries, including LDCs, have in recent years embarked on adjustment efforts intended essentially to restore the key macro-economic equilibria, cut State spending and liberalize the economy. These policies have produced some successes here and there, and they should now be extended and consolidated.

Adjustment policies will be successful only if pursued over the long term and in a politically stable context, against a background of far-reaching economic reorganization and redefinition or restructuring of State institutions.

The Paris Conference could stress the need for adjustment programmes to dovetail with a set of structural reforms designed among other things to reorganize the banking sector and develop the private sector (measure No. 9).

The Conference should invite international organizations and aid donors to assist countries in the process of adjustment to devise and systematically introduce strong allied social measures (measure No. 9 bis).

(d) Due regard to environmental problems

It will be for the 1992 Conference on the Environment and Development to deal with these issues in depth and show that the LDCs' environmental problems are essentially development problems tied in with the poverty of the population, and that the environment should be viewed not as an isolated sector but as a component of traditional sectoral programmes and policies at both the local and the regional levels.

The Paris Conference cannot, however, gloss over these issues.

While recognizing that it is primarily the responsibility of the industrialized countries to set an example and impose strict discipline on themselves in handling environmental problems, the Conference could encourage LDCs to pursue their efforts to incorporate the environmental dimension into their development goals (setting up national environmental agencies, conducting environmental studies for industrial projects, implementing specific projects to safeguard and manage the flora and fauna, for example), and invite the international community to supply specific additional support to them for this purpose (measure No. 10).

Similarly, the Conference could renew the international community's support for major projects designed to avoid the recurrence of certain natural disasters and thus foster development in some LDCs, for instance the flood control project in Bangladesh and the Sahara and Sahel Observatory project to combat desertification in Africa (measure No. 10 bis).

It could also suggest a special reafforestation programme in LDCs within the framework of the initiative submitted by France to IDA in November 1989 (measure No. 10 ter).

These four developmental approaches should be considered after an appraisal of the requisite regional economic development.

4. Financial resources for development

They fall into four categories:

(a) Mobilization of private capital

It is for each country to decide of its own free will on its own national and foreign investment régime, and to create conditions conducive both to mobilizing national savings and welcoming foreign investment, notably by improving the calibre of financial services and introducing attractive investment codes.

To the same end, the Paris Conference could suggest that the Multilateral Investment Guarantee Agency (MIGA) should provide special treatment for the LDCs: paying their membership fees, however small; lowering insurance premiums paid by investors in LDCs (measure No. 11).

(b) LDCs export earnings

The Governments of LDCs should make the diversification of export earnings a major economic policy goal. In most of them, the two main exports account for 40 to 100 per cent of export earnings, and the average dependence ratio is estimated at over 75 per cent.

An appropriate commercial policy can support efforts to diversify production in the LDCs. This concern has been taken into account in the multilateral trade talks round started in 1986, in which special attention has been paid to the specific difficulties of the LDCs.

The Paris Conference could recommend special treatment for the LDCs' products and particularly to their diversification products, within the framework of the Generalized System of Preferences (measure No. 12).

However, this diversification goal can only be achieved over the medium term, whereas foreign exchange needs are immediate if a further increase in the debt burden is to be avoided and imports of capital goods are to be financed.

For the time being, measures to avoid fluctuations and a sudden slump in commodity export earnings are essential. Some of these measures do not apply to the LDCs alone, but they are particularly important to them in view of their degree of dependence.

Consequently, the Paris Conference could recommend:

Reactivation of multilateral co-operation in the commodities sector, concentrating on three main points:

Supporting or reviving commodity agreements containing economic clauses (coffee, rubber, cocoa); in the case of products of particular importance to the economies of the poorest countries, the international community should step up its efforts to solve the major difficulties currently besetting two of these agreements (measure No. 13);

Making wider use of other forms of multilateral co-operation (agreements without economic clauses, working parties, intergovernmental groups, etc.), bearing in mind the three goals that are crucial to success, namely universality, transparency and dialogue; such co-operation alone can make for rational economic decisions, reduce strains between producers and consumers and bolster the bargaining position of the least powerful partners in the marketplace (measure No. 13 bis);

Upgrading action under the second window of the Common Fund, which could be invited to place greater importance on diversification measures within the framework of the particular attention to be paid to projects concerning LDCs (measure No. 13 ter);

More systematic co-ordination of multilateral policies on LDC products. This applies notably to policy on commodities, which should be closely tied in with progress achieved within the framework of the multilateral trade talks, and more particularly in the "tropical products" and "natural resources" groups (measure No. 14);

A review of compensatory financing mechanisms to make them faster and more efficient (measure No. 15). This could draw on the principles applied by the EEC in the STABEX reform in the fourth EEC/ACP Convention;

Improving LDC coverage against the risk of export earnings fluctuations, by promptly extending to them the benefits of the assistance of the World Bank unit responsible for helping commodity-exporting developing countries (training in coverage techniques, assistance in contracts with financial institutions and brokers, credits to finance technical assistance) (measure No. 15 bis);

Setting up a specific programme for training in commodities futures techniques for the benefit of the LDCs (measure No. 15 ter).

(c) Debt relief

Despite debt relief measures taken in the wake of the Toronto Summit, and in particular the special efforts by the Paris Club since 1987, the debt problem is still extremely acute for the LDCs.

Because these measures have related only to bilateral official debt, they highlight still more sharply the weakness of responses to the problem of the growing burden of multilateral debt, which in 1986 represented roughly 19 per cent of GDP of the 41 LDCs at that time.

The World Bank took a first step in this direction by deciding in September 1988 to mobilize 10 per cent of the amounts repaid to IDA and investment income from funds received in respect of IDA contributions, so as to contribute to the payment of interest on loans contracted on market terms with the World Bank by countries eligible for IDA aid.

Consequently, the Paris Conference could:

Invite industrialized countries that have not yet done so to adopt the broadest possible measures to relieve the burden of bilateral official debt (measure No. 16);

To adopt the principle of measures to relieve the LDCs' debt vis-à-vis multilateral and regional development organizations (measure No. 16 bis), with priority on debt contracted at market rates but without prejudice to the proper operation of the creditor institutions and on the understanding that each institution would adopt specific machinery.

This plan could:

(i) Apply to LDCs that implement a World Bank- or IMF-approved adjustment programme;

(ii) Be financed by funds paid in to strengthen these institutions' concessional funds, which would come from profits earned by any creditor institutions and by new and voluntary contributions from members of these institutions.

(d) Official development assistance

Most donor countries agreed in 1981 on an official development assistance goal equivalent to 0.15 per cent of their GDP.

The overall result (close to $US 12.3 billion in 1988) represents only 0.09 per cent, or little more than half that figure, even though the initial goal related to only 31 beneficiary countries and the actual outcome now covers 42.

Regardless of the indispensable efforts that some aid donors should be making in order to improve procedures for channelling their aid, and by many LDCs to improve their foreign aid absorptive capacity, it is essential for donor countries to take into account the increased borrowing needs of the LDCs as a result of their deteriorating economic situation in the course of the 1980s, despite the fact that many have made unquestionable sacrifices in implementing adjustment programmes.

The Paris Conference should reaffirm the 0.15 per cent target, set a five-year timetable to achieve it, and encourage aid donors to exceed this objective (measure No. 17).

This assistance should be supplemented by vigorous action on the part of the multilateral institutions:

UNDP should assign a much higher proportion of Indicative Planning Figures to LDCs. This currently stands at 42.7 per cent. It should rise to 60 per cent in the course of the Fifth Cycle (measure No. 18);

Encouragement should be given to the work of the United Nations Development Fund and its endowment should be increased by 20 per cent a year over the coming decade (measure No. 19);

Similarly, the International Institute of Law for Development could give greater consideration to LDC needs in the training of negotiators and its work could be supported by a greater number of countries (measure No. 20).

C. More efficient follow-up to the Conference

In view of the experience with the SNPA, stronger follow-up machinery for Conference measures and commitments would seem to be essential.

While international follow-up action would be maintained within the framework of the UNCTAD Intergovernmental Group on the Least Developed Countries, special attention should be given to decentralized follow-up activities.

To this end, the Paris Conference could suggest the introduction of country-by-country follow-up, to be assigned to the UNDP round tables and the World Bank consultative groups, as appropriate (measure No. 21). They would retain their specific purposes, yet act as fully-fledged forums for dialogue and monitor implementation of the reciprocal commitments of the LDCs and the international community, and measure progress achieved year-by-year in implementing the various measures listed above.

The Conference could also adopt the principle of holding sectoral meetings. UNCTAD could service them and they would review, wherever needed, the application of decisions taken by the Conference in a particular field (measure No. 21 bis).

Lastly, the United Nations Regional Economic Commissions could, for their part (measure No. 21 ter), be invited to monitor periodically the headway made in co-operation among the LDCs of a given region, on the one hand, and between LDCs and other countries in a given region on the other.

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Corrigendum

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(d) Official development assistance

Seventh subparagraph, lines 1 and 2:

For the United Nations Development Fund

Read the United Nations Capital Development Fund